



3.0 Overview: Federal Pell Grant Process

The Federal Pell Grant is an entitlement. Therefore, a student's eligibility for a Federal Pell Grant does not depend on the availability of funds at their attended school. Because the Department pays Pell awards to all eligible students, the school is not responsible for selecting Pell recipients. However, the school must ensure that each recipient meets the eligibility requirements for the Federal Pell Grant Program and that each eligible student is paid his or her full Pell award. The majority of the student eligibility requirements for the Federal Pell Grant Program are common to all the student financial assistance (SFA) programs.

The Federal Pell Grant Program is funded on an award year basis. The standard processing window for Pell Grants begins 6 months prior to an award year (July 1), and continues through September 30 following the award year end (June 30). Therefore, the processing window for a 12-month award year is approximately 21 months. In addition, award year data must be accessible for processing for up to 5 years and 3 months after its close in order to accommodate late adjustments allowed under special circumstances. Institution-level data must be maintained indefinitely.

The current process supports institutions participating in Advance Payment, Just-In-Time, Reimbursement, or a form of Cash Monitoring. The Advance Payment method is the current primary method of payment for Pell Grants. Under this method, an institution receives an initial obligation against which they may drawdown prior to reporting detailed disbursement information. Once expended, this initial obligation amount is not increased again unless the institution can demonstrate need via submission of student disbursement records to justify the initial funding.

Just-In-Time is a new method of payment available for the first time with Pell in the 1999-2000 award year. Just-In-Time institutions do not receive initial funding amounts. Rather, funds are directly deposited into their bank account as a result of processing student level disbursement records. Reimbursement and cash monitoring are payment methods imposed by the Department that required heightened oversight prior to cash outlays.

The system that supports the current process is the Recipient Financial Management System (RFMS). It facilitates many of the core business requirements of the Federal Pell Grant process such as processing disbursement records and authorizing increases to institutions' obligations. Those requirements not fulfilled via the system are carried out either by the Department (Pell Operations staff, Sub-ledger Staff, GAPS staff) or a contractor who acts on their behalf.

The purpose of this section is to provide a high-level overview of the current process for the Pell Grant Fund. The following are included in order to describe the current process:

- *Business Requirements* – High-level requirements necessary to support the current Pell Grant process. This includes both “direct” origination and disbursement requirements such as reconciliation as well as “indirect” origination and disbursement requirements such as compiling reference materials and providing training support.
- *Process Walkthrough: Flowchart and Narrative* – High-level flowchart and narrative depicting the necessary steps for origination and disbursement of a single Pell grant.



Common Origination and Disbursement Process Current Environment Assessment

- *Current Technology Environment* -- Overview of the technological infrastructure of the Recipient Financial Management System.



3.1 High Level Business Requirements: Pell Grant

Direct Origination and Disbursement

*Receive and acknowledge originations**

*Transmit electronic notifications/ correspondence via TIV WAN or to IFAP**

*Receive and acknowledge disbursements**

*Manage cash with GAPS**

*Inter- and intra-system balancing and reconciliation (on-going reconciliation)**

Indirect Origination and Disbursement

References (provide and maintain)

Provide Training

Provide customer service

- Help desk for schools (functional and technical)

*Calculate and process ACA**

Calculate initial obligation levels

Adjust obligations during award year (A: total accepted disbursement records < initial obligation and B: verification “W”)

Process post-deadline adjustments at student and school level (up to 5 years, 3 months post-award year close out)

Maintain student detail data 5 years, 3 months after close-out

*Establish and run computer production cycles**

*Set up new schools and maintain history**

*Maintain system **

- *Including security, disaster recovery and internal controls*

Annual requirements

System updates

*Interface with other systems**

Send electronic data to other places

Support independent QC

*Generate reports/ respond to data requests**

Provide conference support

** These requirements, which relate directly to the functionality that the system must support, are presented with details in Appendix A*



3.2 Current Federal Pell Grant Process, Narrative

The following is a high-level walkthrough of the basic steps within the Pell Grant origination and disbursement process. It is complemented by two flowcharts, which directly follow the narrative.

Application

The process begins with the student filing the Federal Application for Federal Student Aid (FAFSA). The FAFSA is filed in one of two ways, with the applicable data being sent to the CPS (either on-line or via mail). The CPS then receives the application, processes the application and mails an acknowledgement to the student.

As student application records are processed, they are also transmitted electronically to all the schools the student indicated on the FAFSA. The schools receive this information and load to their institutional system (EDEXpress, third party vendor, home grown application). At the same time this information is transmitted to schools, eligible applicant data is submitted by the CPS to the system that supports Pell Grant processing, the Recipient Financial Management System (RFMS).

Eligibility

Upon receiving the results of student applications from the CPS (i.e.: Institutional Student Information Records (ISIR)), the schools confirm general student eligibility. This is confirmed primarily via review of the results of the matches the CPS conducted during processing. For records that are not flagged with potential eligibility issues, the students move forward in the process. For those records with eligibility holds, the school reviews the students and confirms eligibility.

Determine Pell Award

The school then moves forward with determining the amount of Pell Grant funds for which the student is eligible. At many schools, this awarding process takes place within the school's institutional system. A notification of this award is then sent to the student to inform him of the grant offered.

Communicate Award

Upon determining the student's Pell Grant award, the school transmits an origination record to RFMS, establishing the intent to disburse Pell Grant funds to the student on a future date. These records are transmitted electronically via the TIV WAN, with the exception of a handful of schools who submit records via tape cartridges (not available for award year 2000/2001).

Process Origination

Upon receipt of the origination record, RFMS processes the record, running it through several basic edits in order to confirm institutional and student eligibility. RFMS sends the results of these edits back to the school, usually within 24 hours, noting whether the origination was accepted, corrected or rejected. For rejected records, the institution must resolve the issue and submit a new origination with appropriate change(s). *Please note that this 24 hour turnaround does not apply to schools on the reimbursement payment method. For reimbursement schools, a submission of specific student eligibility documentation must first be made to their ED reimbursement analyst for review and approval. This reimbursement analyst then either approves or rejects RFMS records submitted.*



Common Origination and Disbursement Process

Current Environment Assessment

Disbursement

Beginning 10 days prior to the start of classes, institutions may begin to disburse Federal Pell Grants to students. This can be done at the institution whether or not an accepted origination record has been processed via RFMS. This can also be done either prior to or after communicating the disbursement to RFMS (as described directly below).

Communicate Disbursement

Up to 30 days prior to disbursement (for advance funded; timeline is 5 days for just-in-time schools and 0 days for reimbursement schools) an institution may submit a disbursement record to RFMS, indicating their intent to disburse funds to the student or, if after the fact, indicating that a disbursement has taken place. As with originations, disbursement records are transmitted electronically via the TIV WAN, with the exception of a handful of schools who submit records via tape cartridges.

Please note that schools on the reimbursement payment method are required to submit special disbursement records. These records contain additional information related to payment periods and other items not required of schools on advanced payment or just-in-time.

Process Disbursement

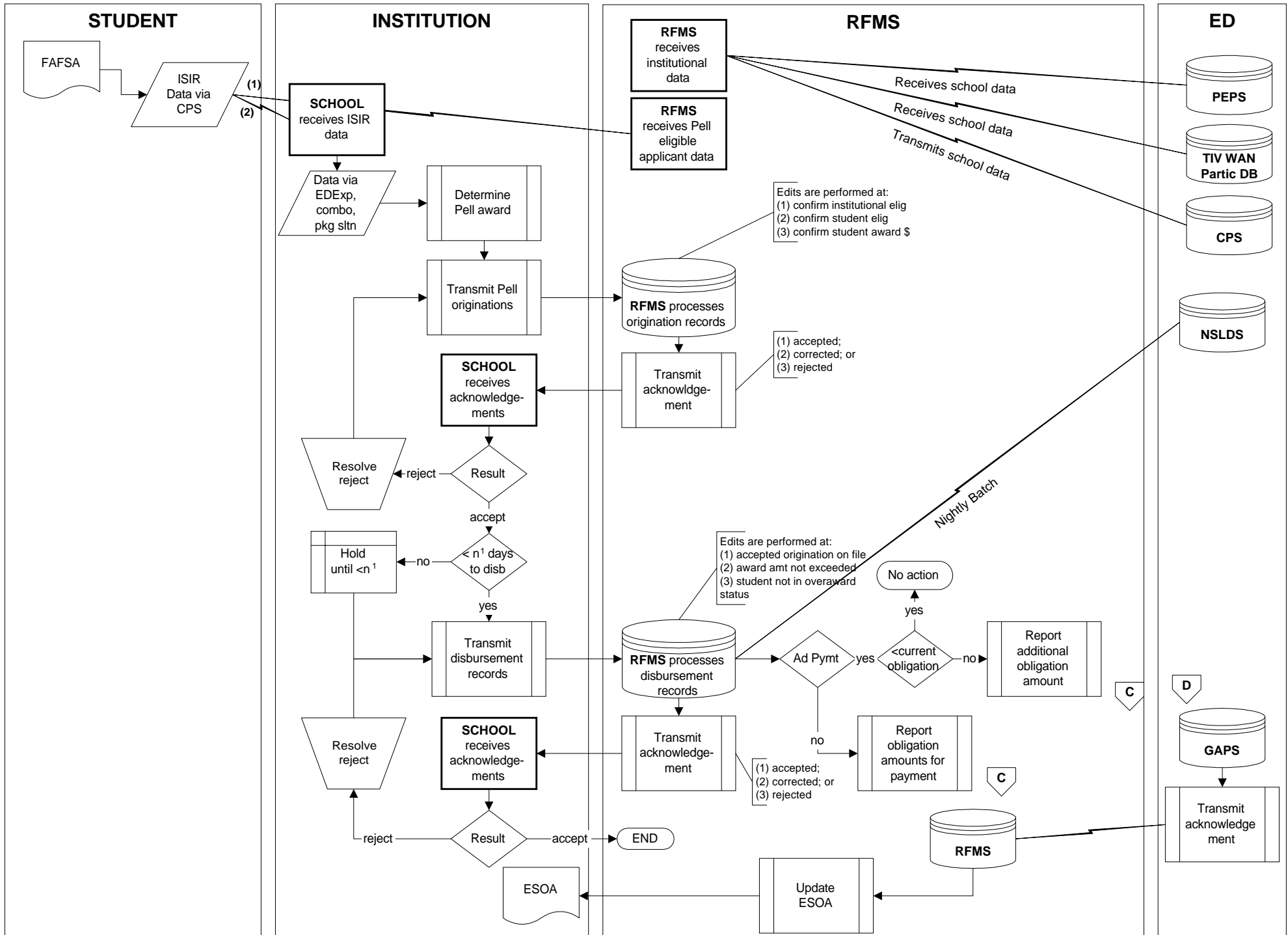
Upon receipt of the disbursement record, RFMS processes the record, running it through several edits in order to confirm eligibility for the specific payment amount and existence of an origination record. RFMS sends the results of these edits back to the school, usually within 24 hours, noting whether the disbursement record was accepted or rejected. For rejected records, the institution must resolve the issue and submit a new disbursement record with appropriate change(s).

Again, please note that this 24-hour turnaround does not apply to schools on the reimbursement payment method. For reimbursement schools, a submission of specific student eligibility documentation must first be made to their ED reimbursement analyst for review and approval. This reimbursement analyst then either approves or rejects RFMS special disbursement records submitted. In addition to this review, RFMS performs additional edits on Pell Grant disbursement amounts based on the information reported in the special disbursement records.

Manage Cash with GAPS

The process for communicating disbursements to GAPS and, if required, adjusting awards (i.e. schools ability to drawdown funds) is labor intensive and redundant. It is depicted in detail on the second flowchart that follows because of its manual nature and the bottleneck it creates to the current process.

CURRENT PELL PROCESS

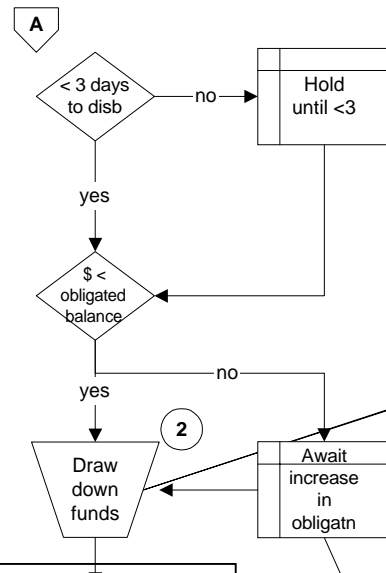


STUDENT

INSTITUTION

RFMS

ED



At this point, reporting of disbursement records must "catch up" with actual payments. No increase in authorization will occur until additional disbursement records are submitted and accepted

C

1

RFMS calculates initial authorization amounts

RFMS transmits processed batch

E-mail to PellOp & SL

Sub-Ledger receives batches

Sub-Ledger loads batches

Pull Rept

Approve

Pay

Create GAPS xfer file

Last file of day?

Create RFMS acknwl file

CallSL Staff: file(s) ready

PellOp xmits RFMS acknwl

PellOp xmits GAP xfer file

SL xmits file to RFMS

SL xmits file to GAPS

S/L e-mail to Pell Ops

Pell Ops e-mail to GAPS Staff

GAPS staff processes file

Send e-mail to Pell Ops

GAPS

2

RFMS transactions to be processed

D

Receive funds

Note: Disbursement to student can happen at any time after ten days prior to the first day of classes (i.e.: before or after actual draw down of federal funds), based upon the schools internal procedures